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Required Report - public distribution

Date: 12/1/2010

GAIN Report Number: BR0625

Brazil

Oilseeds and Products Update

Soybean Sector Concerned with La Nina Weather Phenomenon

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Report Highlights:

Post lowered its forecast of 2010/11 soybean production to 66.8 million metric tons (mmt) this month based on a reduced planted area of 23.85 million hectares and a recent dry spell in parts of Rio Grande do Sul. These forecasts represent a 2 percent increase in area planted and a 3 percent decrease in production compared to 2009/10. The La Nina weather phenomenon is expected to reduce national average yields due to irregular precipitation patterns already being observed. Favorable futures prices have spurred early committed sales of the 2010/11 soybean crop to 40 percent, ahead of historical norms.

Post:

Brasilia

Production, Supply and Demand Data Statistics:

Brazil							
Oilseed, Soybean (Local) 1000 HA and 1000 MT							
	2008/2009		2009/2010		2010/2011		% (b/a)
	Official Data	Post	Official Data	Post (a)	Official Data	Post (b)	
Market Year Begin		02/2009		02/2010		02/2011	
Area Planted	21,700	21,730	23,500	23,400	24,250	23,850	1.9
Area Harvested	21,700	21,730	23,500	23,400	24,250	23,850	1.9
Begin. Stocks	4,818	4,739	1,156	295	2,231	1,730	486.4
Production	57,800	57,500	69,000	68,700	67,500	66,780	-2.8
MY Imports	124	123	175	185	175	175	
MY Imp. from U.S.	0	0	0	0	0	0	
MY Imp. from EU	0	0	0	0	0	0	
Total Supply	62,742	62,362	70,331	69,180	69,906	68,685	-0.7
MY Exports	28,041	28,500	30,650	30,500	31,200	30,200	-1.0
MY Exp. to EU	8,250	8,250	9,500	9,500	10,000	10,000	5.3
Crush	30,778	30,800	34,500	34,000	33,280	34,000	0.0
Food Use Dom. Cons.	0	0	0	0	0	0	
Feed Waste Dom. Cons.	2,767	2,767	2,950	2,950	3,100	3,100	5.1
Total Dom. Cons.	33,545	33,567	37,450	36,950	36,380	37,100	0.4
Ending Stocks	1,156	295	2,231	1,730	2,326	1,385	-19.9
Total Distribution	62,742	62,362	70,331	69,180	69,906	68,685	-0.7

Brazil still estimated to plant record soybean area in 2010/11

Post has revised downward its forecast of 2010/11 soybean planted area this month to a still record 23.85 million hectares based on increased cotton acreage substitution. Post lowered estimated 2010/11 soybean production to 66.8 million metric tons based on a 2.8 mt/ha yield estimate. Post lowered planted area by 150,000 hectares to 23.85 million hectares due to expanded cotton planted area estimates under higher profitability margins. In addition, the most fertile lands are being reserved for cotton production, thus slightly reducing yield potential for soybean in applicable areas. These forecasts represent a 2 percent increase in area planted and a 3 percent decrease in production compared to 2009/10. The La Nina weather phenomenon is expected to continue to bring irregular precipitation throughout the growing season and result in low national yields. Post's projection reflects this scenario and incorporates a decrease in previous estimates for production in Rio Grande do Sul as recently announced by regional cooperatives. Though rains returned last week in central Rio Grande do Sul, yields are expected to be lower than last year given La Nina weather patterns. Post's projected planted area estimates are within CONAB's (Ministry of Agriculture Brazilian Food Supply Company) estimated range of 23.7-24.2 million hectares. In addition, private analysts have been lowering production estimates by up to 1 mmt based on La Nina and the recent dry spell in Rio Grande do Sul, the third largest soybean producing state.

La Nina weather phenomenon has consolidated planting and will push back the harvest

The consolidated and delayed planting of this year's crop foretells a later harvest that will limit Brazil's role in international markets until mid-February. As a result, the United States will benefit longer as the main supplier to international markets. Planting has been consolidated to approximately two months as opposed to an historical three-month time frame. Hence, Mato Grosso is expecting to harvest 30 percent of its crop between the 15th and 20th of February.

The national 2010 planting pace intensified over the last few weeks with a reported 83 percent completed on November 26th surpassing the 78 percent five-year historic completion rate at this time.

This week has brought rain across the vast majority of the center-west. However, the La Nina weather phenomenon has continued to thwart planting in very limited areas of the center west with delayed rains. Delayed rains in the center west also reduced sowing of early-maturing soybeans which will result in reduced planting of second crop corn. The "Missions" region in Rio Grande do Sul has experienced extended dry spells adversely affecting seed germination and/or early plant development, which require replanting in some cases. To better minimize the higher climatic risk associated with La Nina, producers are planting more varieties of soybeans with varying rates of maturity.

Committed future sales ahead of historical pace for 2010/11 soybean crop

High soybean future prices at the Chicago Board of Trade spurred committed future sales for the 2010/11 Brazilian crop to 40 percent. The State of Mato Grosso's Institute for Agricultural Economics reports future soybean crop sales from Mato Grosso at 57.4 percent, or nearly double committed sales at this time last year. The State of Mato Grosso produces nearly 30 percent of Brazil's soybean crop.

Other relevant reports:

[BR0620 - Record Soybean Planted Area Forecast for 2010-11 Crop](#)

[BR0607 - 2010 Annual Oilseeds Report](#)

